

Results for the 3rd Quarter of FY March 2019

February 1, 2019
Nihon Unisys, Ltd.

Foresight in sight

(Note) The expression 'FY/Fiscal Year' utilized in this document indicates a fiscal year which finishes at the end of March of the following year.

Example: The expression of FY2018 refers to the fiscal year ending March 2019.

Services businesses became stronger in a favorable business environment. They have driven net sales as well as operating income and profit. Their improved profitability increased operating margin by 1.3pt. Thus, the performance shows a good progress from the viewpoint of a full-year forecast.

(Unit: Billion Yen)

	Q3 (Apr-Dec)		Changes	
	FY2018	FY2017		
Net Sales	198.9	196.6	+2.3	+1.2%
Gross Profit	50.3	47.7	+2.7	+5.6%
SG&A Costs	-38.2	-38.2	+0.0	+0.0%
Operating Income	12.1	9.4	+2.7	+28.3%
(Operating Margin)	(6.1%)	(4.8%)		(+1.3pt)
Profit Attributable to Owners of Parent	9.0	6.8	+2.2	+33.0%
Orders	204.1	206.2	-2.1	-1.0%
Order Backlogs	225.9	220.3	+5.5	+2.5%

<Key Points of Q3 Performance Results>

■ Net sales

Net sales increased due to an increase in System Services and Outsourcing. The increase made up for a decrease in Product Sales.

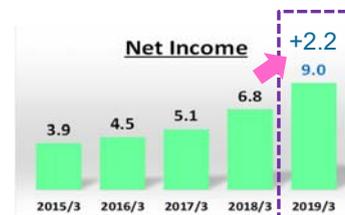
■ Operating income

Operating income increased due to the increase in net sales as well as improved gross margin mainly of Services Businesses. Operating margin increased by 1.3 pt.

■ Orders and order backlogs

An accumulation of System Services orders in this Q3 was impressive. However, the total orders seem humble in contrast with Q3 of the previous fiscal year when multiple large-scale outsourcing projects were posted. On the other hand, the accumulation of System Service orders helped to steadily increase order backlogs.

[Reference] Changes in the Q3(Apr-Dec) performance (Unit: Billion Yen)



First, I would like to summarize our performance for the third quarter of the fiscal year ending March 2019.

Net sales were ¥198.9 billion, an increase of ¥2.3 billion compared with the same period of the previous fiscal year. Operating income was ¥12.1 billion, up ¥2.7 billion, and net income was ¥9.0 billion, up ¥2.2 billion.

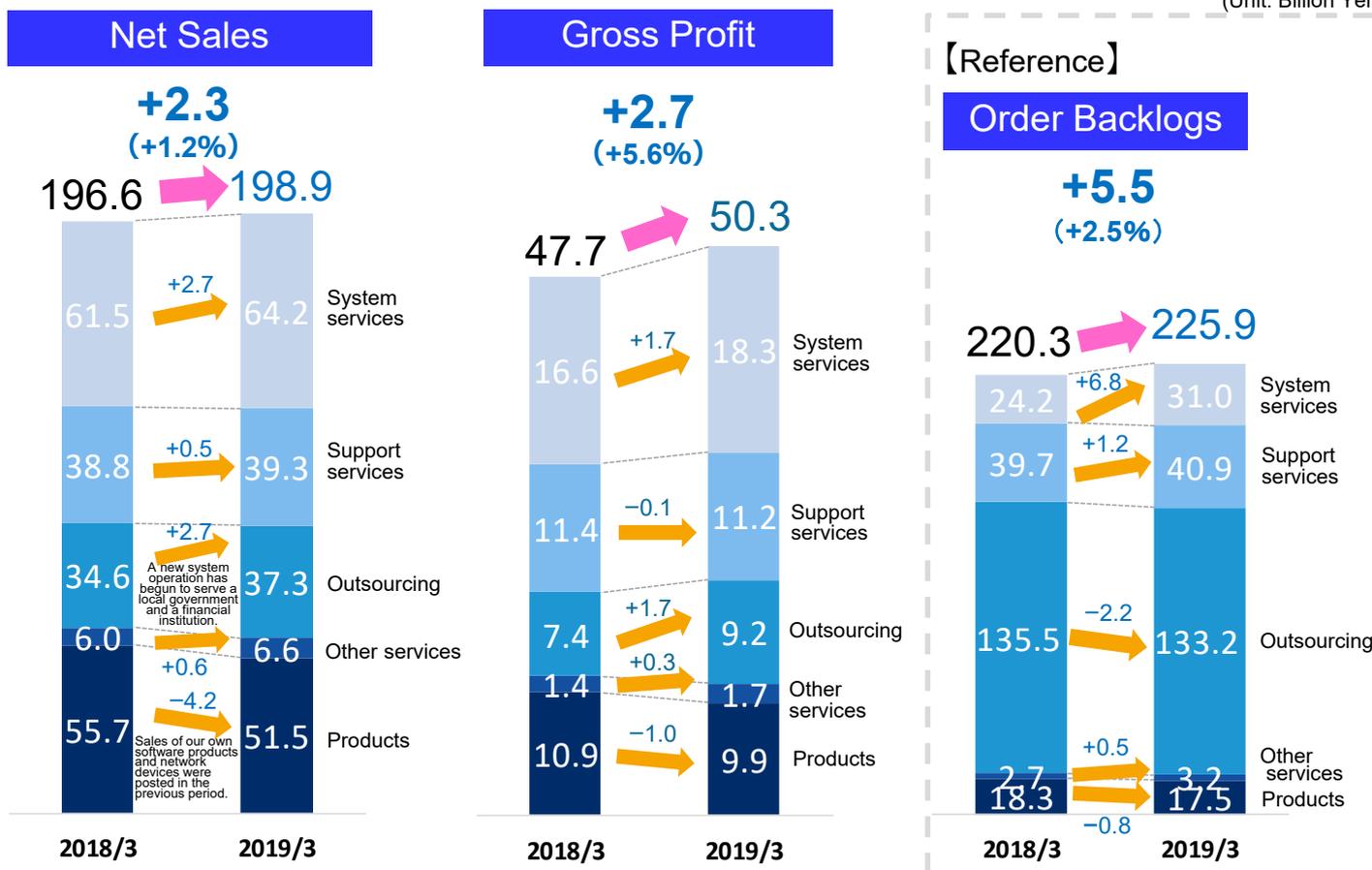
Net sales of System Services and Outsourcing increased in a favorable business environment. They outweighed a decrease in the net sales of Product Sales. As a result, net sales increased by ¥2.3 billion.

The increase in net sales and an improvement in the profitability mainly of Services Businesses helped to increase gross profit by ¥2.7 billion, compared with Q3 of FY2017. SG&A costs continued to be at the same level as the period. As a result, operating income increased by ¥2.7 billion. A 1.3pt increase of operating margin indicates a steady improvement of profitability.

Due to the increase in operating income, net income increased ¥2.2 billion.

System Services orders significantly increased on the basis of multiple small-/medium-sized projects. However, the total orders decreased by ¥2.1 billion, compared with the same period of the previous fiscal year when multiple long-term large-scale Outsourcing projects were posted. Order backlogs increased by ¥5.5 billion, mainly due to an accumulation of System Services orders.

(Unit: Billion Yen)



Let me summarize the net sales and gross profit situations by segment.

System Services net sales and gross profit increased as they did in 1H, the first half. The increases were enabled by demands for creating open core-banking systems for financial institutions and renewing systems and make them further capable of the interaction capabilities with customers.

In Q3, we had an unprofitable project. This project is designed to create an open-source mission-critical system for a distribution industry customer. The unprofitability cost us ¥0.3 billion. This system is scheduled to serve the customer in the first half of the next fiscal year. Most of the tests concerned with the system will be finished within this fiscal year. We have reflected the cost (¥0.2 billion) in the full-year performance forecast in order to make preparations for any additional risks that may be incurred by these tests.

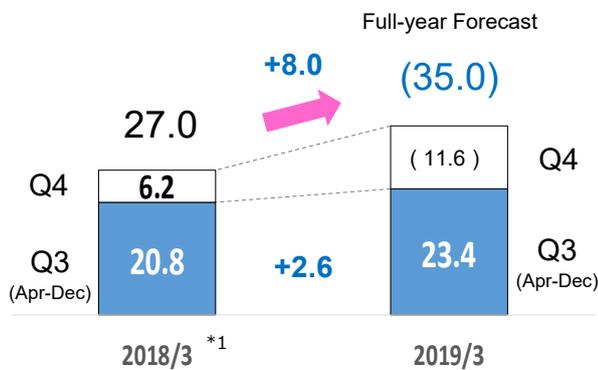
Despite the underperforming project implementation, for the first time in the four years, the negative impacts have been outweighed by the entire productivity of System Services that has been steadily improved through continuing efforts.

Support Services suffered a slight decrease in gross profit despite an increase in net sales. The business was impacted due to costs incurred from the integration of support centers that began in Q2.

Outsourcing net sales and gross profit increased on the basis of new projects for a local government launched in Q1 FY2018 and a project for financial institutions launched in Q4 FY2017. Gross margin also increased due to an improved operational efficiency based on an increase in actual service deliveries.

Sales of devices for telecommunications carriers and our in-house software products were posted in Q3 of the previous fiscal year. Thus, Product Sales net sales and gross profit in this period decreased in comparison with the same period of FY2017.

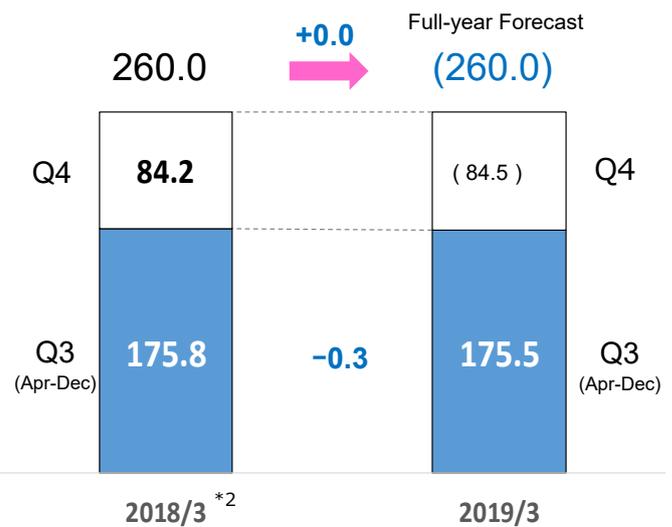
Focal Areas



- The transaction volume of QR and bar code payment/settlement services has increased gradually. Efforts (such as coordination with JCB) to increase the number of member shops have been intensified.
- 'Origami Pay[®]' services (enabling direct payments via bank accounts) have been released on our open API platform 'Resonatex[®]' in cooperation with Hyakugo Bank.
- Our bank sales office counter operation support system has been purchased more by financial institutions.

*1 The 2018/3 bar indicates the total of 'Digital Innovation' and 'Life Innovation' net sales defined in the previous mid-term management plan.

ICT Core Areas



- Steady system development continues for financial institutions
- New outsourcing services have begun for a local government and financial institutions.
- Network device sales to telecommunications carriers decreased compared with Q3 FY2017.

*2 The 2018/3 bar indicates the 'Business ICT Platform' net sales defined in the previous mid-term management plan.

Let me describe the business situations in the focal areas as indicated in the mid-term management plan.

The net sales of focal areas were ¥23.4 billion, a ¥2.6 billion increase compared with Q3 FY2017. An increase in the businesses of the focal areas is slightly behind the schedule made in the beginning of the fiscal year, due to the small sizes of individual projects. We have been making further efforts to catch up with the schedule. The efforts include large-scale product sales in the digital transformation area planned in Q4.

Fee-for-service businesses have increased compared with the third quarter of the previous fiscal year. It is due to an increase in the transaction volume of QR and bar code payment/settlement services, and also an increase in using mobility service platforms mainly for car-sharing schemes.

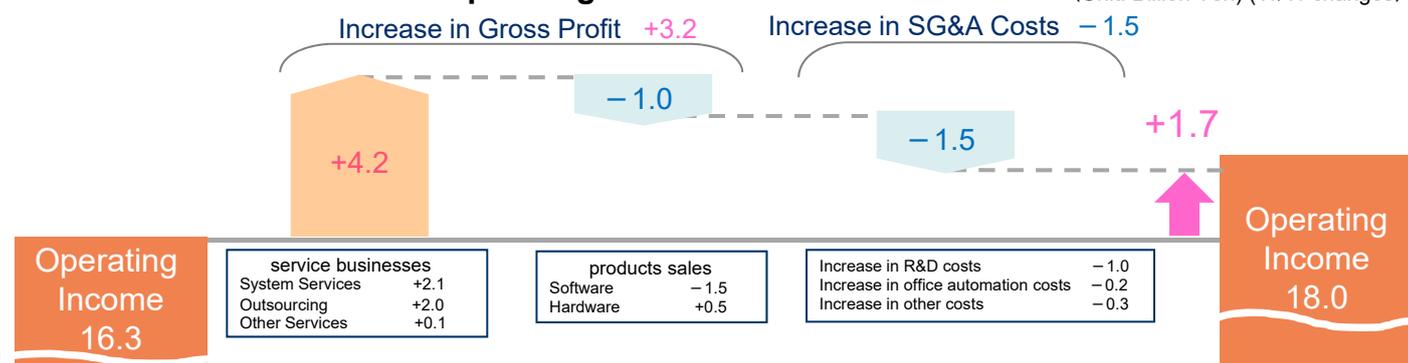
The full-year forecasts of net sales, operating income, and profit attributable to owners of parent have not been revised since they were announced on November 6, 2018. (Unit: Billion Yen)

	FY2018 Q3(Apr-Dec) Actual		FY2018 Q4 Forecast		FY2018 Full-Year Forecast	
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr
Net Sales	198.9	+2.3	96.1	+5.7	295.0	+8.0
Operating Income	12.1	+2.7	5.9	-1.0	18.0	+1.7
(Operating Margin)	(6.1%)		(6.1%)		(6.1%)	
Profit Attributable to Owners of Parent	9.0	+2.2	3.5	-1.7	12.5	+0.6

* See the supplementary material for a breakdown of the forecast above.

【Details of FY2018 Full-Year Operating Income Forecast】

(Unit: Billion Yen) (Yr/Yr changes)



FY2017 Full-Year

FY2018 Full-Year

Let me describe the performance forecast.

The full-year forecasts of net sales, operating income, and profit attributable to owners of parent have not been revised since they were announced on November 6, 2018.

We plan an increase of ¥8.0 billion in net sales to ¥295.0 billion, an increase of ¥1.7 billion in operating income to ¥18.0 billion, and an increase of ¥0.6 billion in net income to ¥12.5 billion for the full year.

We anticipate that operating income will be subject to changes in gross profit and SG&A costs. Gross profit will have a ¥3.2 billion increase in Services and Product Sales. However, SG&A costs will increase by ¥1.5 billion in R&D costs and others.

We plan to pay a ¥50 annual dividend per share as we announced in the beginning of the fiscal year.

This concludes my briefing on the performance for the third quarter of the fiscal year ending March 2019.

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(Note)

Forecasts in this document rely on judgments and assumptions based on information available at present. Actual results may differ from the forecasts due to changes in risks, uncertainties, economy and other factors.

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Also, the information is subject to change without prior notice in future.

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